

AGREEMENT ON COORDINATION OF TAX ADMINISTRATION
BETWEEN THE STATE OF NEW MEXICO, TAXATION AND REVENUE
DEPARTMENT, AND THE BUREAU OF ALCOHOL, TOBACCO
AND FIREARMS, U.S. DEPARTMENT OF THE TREASURY

Section 1. Definitions

For purposes of this agreement, the following definitions shall apply:

1.1 Agency. The term "Agency" means State of New Mexico, Taxation and Revenue Department.

1.2 ATF. The term "ATF" means the Bureau of Alcohol, Tobacco and Firearms, U.S. Department of the Treasury.

1.3 State. The term "State" means the State of New Mexico.

1.4 Agency Representative. The term "Agency Representative" means an Agency officer or employee designated in writing by the head of the Agency or his delegate as an individual who is to inspect or receive Federal returns or Federal return information on behalf of the Agency as provided by section 6103(d) of the Code, but only so long as the duties and employment of such officer or employee require access to Federal returns and Federal return information for purposes of State tax administration.

1.5 Code. The term "Code" means the Internal Revenue Code of 1986 (Title 26, U.S.C.).

1.6 Federal return. The term "Federal return" means any tax return or claim for refund required by, or provided for, or permitted under, the provisions of the Code which is filed with ATF by, on behalf of, or with respect to any person, and any amendment or supplement thereto, including

supporting schedules, attachments, or lists which are supplemental to, or part of, the return so filed.

1.7 Federal return information. The term "Federal return information" means a taxpayer's identity, or tax payments, whether the taxpayer's Federal return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by ATF with respect to a Federal return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under the Code for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.

1.8 State return. The term "State return" means any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for, or permitted under, the provisions of the tax laws, or related statutes, of the State, and any amendment or supplement thereto, including supporting schedules, attachments, or lists which are supplemental to, or part of, the return so filed.

1.9 State return information. The term "State return information" means a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies,

overassessments, or tax payments, whether the taxpayer's State return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Agency with respect to a State return, or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under the tax laws, or related statutes, of the State for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense.

1.10 Inspection. The term "inspection" means any examination of a return or return information.

1.11 Disclosure. The term "disclosure" means the making known to any person in any manner whatever a return or return information.

Section 2. Introduction

2.1 The Agency and ATF recognize the mutual benefits to be derived through coordination of their tax administration programs to secure returns, determine tax liability, and effect collection of taxes; and the parties do hereby agree to the extent permitted by law, to enter into arrangements designed to improve the administration and enforcement of tax laws of their respective jurisdictions. Officials of the Agency, acting under authority vested in or delegated to them to administer State tax laws, and the appropriate

officials of ATF will consult from time to time regarding their respective enforcement efforts and will establish mutually agreeable programs for the exchange of information and assistance.

2.2 This agreement provides the general basis for achieving coordination of Federal and State tax administration. Specific arrangements will be initiated in a manner and at such time as are mutually agreeable to Agency and ATF officials. They shall explore and adopt mutually acceptable techniques and modes of exchange which will be most beneficial to improved tax administration with the least possible interruption of their respective operating routines and with strict adherence to laws, regulations, and rules for protecting the confidentiality of returns and return information.

Section 3. Disclosure of Federal Returns and Federal
Return Information

3.1 Under the laws of the State, the Agency is charged with, among other laws, the responsibility for the administration of the tax acts listed in section 7-1-2 New Mexico Stat. Ann. (NMSA) (1978) of the Tax Administration Act. Federal returns and Federal return information (whether originals, paper copy, photocopy, microfilm, magnetic tape, or any other form) received pursuant to this agreement will be used for the purposes of,

and only to the extent necessary in, enforcement of these tax acts.

3.2 This agreement constitutes the requisite authorization pursuant to section 6103(d) of the Code for ATF to disclose to, and permit inspection by, an Agency Representative of Federal returns and Federal return information relating to taxes imposed by Chapters 51 and 52, Title 26, United States Code, to the extent such returns or return information are relevant to the administration of the tax acts listed in section 7-1-2 NMSA (1978).

3.3 Upon the occurrence of any change in employment, duties, or other relevant matters affecting an Agency Representative's right of access to Federal returns and Federal return information, or status as Agency Representative, the head of the Agency shall promptly advise ATF in writing that such individual is no longer an Agency Representative.

3.4 An Agency Representative to whom a Federal return of a taxpayer or Federal return information relating to a taxpayer has been disclosed as provided by section 6103(d) of the Code and paragraph 3.2 of this agreement may thereafter disclose such return or return information:

- (a) to another employee of the Agency for the purpose of, and only to the extent necessary

- in, the administration of the tax acts listed in section 7-1-2 NMSA (1978);
- (b) to an agent of the Agency to whom such disclosure is necessary in connection with processing, storage, and transmission of such returns and return information and solely for purposes in administering the tax acts listed in section 7-1-2 NMSA (1978), and in a manner consistent with the requirements of section 5 of this agreement;
 - (c) to an agent of the Agency for the purpose of, but only to the extent necessary in, the programming, maintenance, repair, testing, and procurement of equipment used in processing or transmission of such returns and return information; or
 - (d) to a legal representative of the Agency, personally and directly engaged in, and solely for use in, preparation for a civil or criminal proceeding (or investigation which may result in a proceeding) before a State administrative body, grand jury, or court in a matter involving the tax acts listed in section 7-1-2 NMSA (1978), but only if:

- (i) such taxpayer is or may be a party to such proceeding;
- (ii) the treatment of an item reflected on such return is or may be related to the resolution of an issue in the proceeding or investigation; or
- (iii) such return or return information relates, or may relate, to a transactional relationship between a person who is or may be a party to the proceeding and the taxpayer which affects, or may affect, the resolution of an issue in such proceeding or investigation.

3.5 A Federal return of a taxpayer or Federal return information relating to a taxpayer may be disclosed in a State judicial or administrative proceeding pertaining to the tax acts listed in section 7-1-2 NMSA (1978), but only if:

- (a) the taxpayer is a party to such proceeding and the return or return information relates to the resolution of a tax issue in such proceeding;
- (b) the treatment of an item reflected on such return is directly related to the resolution of a tax issue in the proceeding; or

- (c) such return or return information directly relates to a transactional relationship between a person who is a party to the proceeding and the taxpayer which directly affects the resolution of a tax issue in the proceeding.

3.6 Notwithstanding any other provision of this section, ATF will not disclose a Federal return or Federal return information under this section to any person if such disclosure would identify a confidential informant or seriously impair a Federal civil or criminal tax investigation. The Agency agrees that neither it nor its legal representatives will make any further use or disclosure of a Federal return or Federal return information disclosed to an Agency Representative by ATF if ATF notifies the head of the Agency in writing that such further use or disclosure would identify a confidential informant or seriously impair a Federal civil or criminal tax investigation. The Agency further agrees that prior to disclosure of any Federal return or Federal return information in a State judicial or administrative proceeding as provided by paragraph 3.5 of this agreement, the head or legal representative of the Agency will notify ATF in writing of the intention to make such disclosure. No officer, employee, agent, or legal

representative of the Agency shall thereafter so disclose a Federal return or Federal return information in such State judicial or administrative proceeding if, within 30 days following receipt of such written notice of intention to disclose, ATF notifies the head or legal representative of the Agency that such disclosure would identify a confidential informant or seriously impair a Federal civil or criminal tax investigation.

Section 4. Disclosure of State Returns and Return Information

4.1 This agreement constitutes the requisite authorization for the Agency to disclose to, and permit inspection by, officers and employees of ATF of State returns and State return information for the purpose of, and only to the extent necessary in, the administration of the internal revenue laws, or related statutes, of the United States. Any such State returns and State return information so disclosed to, or inspected by, officers or employees of ATF become, in the hands of ATF, "taxpayer return information" as defined in section 6103(b)(3) of the Code and may thereafter be disclosed by ATF only to such persons, for such purposes, and under such conditions as may be prescribed by the Code.

4.2 The Deputy Director, ATF, or the Regional Director (Compliance), Southwest Region, shall designate in writing

to the Agency those officers and employees of ATF who are to inspect or receive State returns and State return information on behalf of ATF.

Section 5. Safeguards and Other Requirements

5.1 As an express condition for the inspection and disclosure of Federal returns and Federal return information pursuant to this agreement, the Agency agrees to comply with the following safeguards and requirements prescribed by section 6103(p) of the Code and any implementation of such safeguards and requirements as may be provided by regulations and published procedures:

- (a) establish and maintain, to the satisfaction of ATF, a permanent system of standardized records with respect to any request made by the Agency for such inspection or disclosure, the reason for such request, and the date of such request, and, in addition, any disclosure made by or to it under the authority of this agreement;
- (b) establish and maintain, to the satisfaction of ATF, a secure area or place in which such returns or return information shall be stored;

- (c) restrict, to the satisfaction of ATF, access to such returns and return information to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this agreement;
- (d) provide such other safeguards as ATF may determine to be necessary or appropriate to protect the confidentiality of such returns and return information.

The conditions of subparagraphs (a), (b), (c), and (d) above shall cease to apply with respect to any Federal return or return information if, and to the extent that, such return or return information is disclosed in the course of any State judicial or administrative proceeding and made a part of the public record thereof.

5.2 The Agency further agrees to inform in writing all Agency Representatives and other persons to or by whom disclosure or inspection of Federal returns or Federal return information is authorized by section 3 of this agreement of the criminal penalties and civil liability provided by sections 7213 and 7431 of the Code for a disclosure of such returns and return information which is unauthorized by the Code.

5.3 In recognition of their responsibilities under this agreement, each party to the agreement shall, when requested by the other party, review with the other party its safeguard measures for protecting the confidentiality of returns and return information. The Deputy Director of ATF or the Regional Director (Compliance), Southwest Region, or her delegate and the head of the Agency or his delegate will represent their respective organizations for the purpose of such reviews.

Section 6. Termination or Modification of Agreement

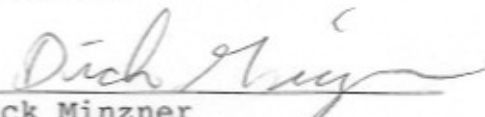
6.1 The provisions of this agreement are subject to the provisions of the Code and implementing regulations and published procedures and to the provisions of State statutes and regulations, and this agreement may be terminated or modified at the discretion of ATF or the Agency on account of changes in Federal or State statutes and regulations or whenever in the administration of Federal or State tax laws such action seems appropriate.

6.2 Any unauthorized use or disclosure of Federal returns or Federal return information furnished pursuant to this agreement, or inadequate procedures for safeguarding the confidentiality of such returns or return information, also constitutes grounds for termination of this agreement and the exchange of information thereunder, subject to the rights of administrative appeal as provided by regulations

prescribed by section 6103(p)(7) of the Code.

State of New Mexico
Taxation and Revenue Department

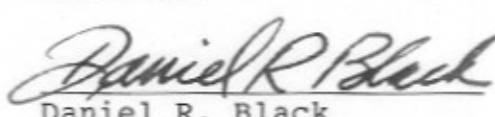
APPROVED:


Dick Minzner
Secretary of Taxation and Revenue

Date: 5/16/91

Bureau of Alcohol,
Tobacco and Firearms

APPROVED:


Daniel R. Black
Deputy Director

Date: 5/6/91